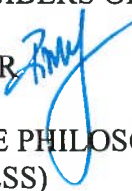


# City of Alexandria, Virginia

## MEMORANDUM

**DATE:** MARCH 22, 2013

**TO:** THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

**FROM:** RASHAD M. YOUNG, CITY MANAGER 

**SUBJECT:** BUDGET MEMO # 11: CITY USER-FEE PHILOSOPHY (BUILDING CODE REVIEW AND ENTITLEMENT PROCESS)

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This memorandum is in response to Councilman Smedberg and Councilman Wilson's request during the March 4, 2013 Budget Work Session to gain a better understanding regarding the City's philosophy to user-fees, specifically building code review and entitlement process development review fees. In terms of periodic review of overall City fee rates, OMB maintains a multi-year schedule for departments to review their fees. The cycle varies from a minimum of every three years to annually depending on the fee. The schedule currently extends through FY 2015. For the FY 2015 budget, OMB will coordinate with the departments for a review of fees on the schedule for that fiscal year and update the schedule accordingly.

Development review fees (Building Permit Review as well as Development Entitlement Process) in the City of Alexandria are collected by the Department of Code Administration (Code) and the Department of Planning and Zoning (P&Z), respectively. Fees administered by P&Z are deposited in the General Fund, while Code fees are deposited into the Code Enterprise Fund. While these two systems of fee administration are in many ways logically connected, there are distinct differences in the philosophy by which these fees are levied and reviewed. Previous budget memoranda have discussed both the implementation and fee structure of the Code Enterprise Fund<sup>1</sup> and the proposed FY 2014 fee increases<sup>2</sup>.

### Building Permit Review Fees

The Code Enterprise Fund was implemented in FY 2011 with the aim of making building related City costs fully fee supported; sustaining a high level of customer service; continuously

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<sup>1</sup> Budget Memo #37: Code Administration Fee Increases to Achieve Full Cost Recovery. April 2, 2010. <  
<http://alexandriava.gov/uploadedFiles/BM%2037%20Code%20Admin%20Fee%20Increases%20to%20Achieve%20Full%20Cost%20Recovery.pdf>>

<sup>2</sup> Budget Memo #1: Tax and Fee Rate Adjustments in the FY 2014 Proposed Budget. February 26, 2013. <  
<http://alexandriava.gov/uploadedFiles/budget/info/budget2014/memos/BM1FY14ProposedTaxRateAdjustments.pdf>>

improving services and transparency; and employing the latest technologies available to improve the customer experience.

The Enterprise Fund fees are established based on estimated plan review times, inspections, plan revisions, 3<sup>rd</sup> party inspection program management, and mandated special inspection program management and overhead costs. Such costs include training, certification, vehicles, contract services, equipment, fuel, code and resource books, and future items that may arise over time. The philosophy underpinning the City's Code Enterprise Fund is to sustain the primary functions and staffing during all economic times with a core team of Code Administration personnel. The dedication of special revenue allows Fund supported activity to maintain minimum service levels in slow economic times when revenues are down and while workload may overrun the revenue source (e.g. multi-year projects, large scale projects, etc.). This philosophy is based on a model of full cost recovery for services rendered. The proposed FY 2014 Building Permit Review fee increases are aligned with the goal of full cost recovery, reflect costs of further improving customer service and reducing processing times for an expanded Multi-Agency Permit Center, as well as picking up costs of development related positions in other departments that have been here to for paid by the General Fund.

#### **Entitlement Process Development Review Fees**

The review of entitlement process development applications (i.e. DSP, DSUP, SUP, MPA, CDD, REZ, TMP, and FSP) is managed by P&Z but also involves review by multiple City departments including Transportation and Environmental Services, Code Administration, Recreation, Parks and Cultural Services, Health Department, Real Estate Assessments, Office of Housing, and Office of Archaeology. The proposed fee increases for FY 2014 are necessary for the City to offset costs of review associated with growing demand due to larger numbers and increased complexity of applications.

Development review fees are intended to partially recover the City's cost of review while taking into consideration the impact the fee may have on the market for development in Alexandria. The policy of only partial fee recovery and not full fee recovery reflects the shared public and private benefits of the land use planning process. The fees are reviewed on a three (3) year cycle to determine if the fees charged are offsetting enough of the cost of the review, are in line with other jurisdictions, and are not discouraging development in Alexandria because of the cost. The intent of having a three (3) year review cycle is to allow the fees to increase gradually rather than having significant increases to catch up. The last development review fee increase was in 2008. In 2011 and 2012, a decision was made not to increase the fees because of the downturn in the real-estate development market. Because the complexity, scale and total staff involvement for development review varies depending upon individual project submissions, the total administrative cost to the City is difficult to measure. The model for fee administration and philosophy described are an attempt to balance these variables to ensure that costs are partially offset while the overall fee structure does not impact the City's market competitiveness.

The intent of the FY 2014 proposed fee increase maintains adherence to this philosophy by increasing the fees only slightly for smaller, uncomplicated projects. The medium sized projects and projects that are more complicated will be increased by larger amounts as the size and

complexity increases. This approach lessens the impact while addressing the cost recovery because the larger complex projects take the most staff time. It should be noted that the proposed cap of \$60,000 (effecting projects over 467,000 sq. ft.) reflects the fact that there is not necessarily a straight-line correlation between the size of a projects and the cost of the review, and provides some continuity with our past practice.

CC: Nelsie L. Smith, Director, OMB  
John Catlett, Director, Code Administration  
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Mark B. Jinks, Deputy City Manager